

SEHC: Structural Options

SEHCSO 6: Governance Skills

Co-operatives do need to be run effectively and be able to demonstrate this effectiveness to its members - and funding bodies.

In a co-operative, the members of the co-operative are at the centre of governance. The board must reflect and reinforce co-operative values and principles.

Public policy debate has in recent years increasingly focused on the governance of business enterprises. Large co-operatives incorporated under Corporations Law are equally impacted by this debate.

Unfortunately, the values underpinning this debate assume that enterprises are investor owned and controlled. It is critical, therefore, to consider the specifics of governance for co-operatives.

Co-operative governance is the set of relationships between the co-operative's members, the board as representatives of members that advise management for the members and the management that has the care and control of the co-operatives for the members and how a business can be best governed in the interests of its owners.

Co-operative governance provides the structure through which the objectives of the co-operative are set and the means of attaining those objectives and the monitoring of performance.

Co-operatives are member owned and controlled and, therefore, the rights and responsibilities of members are fundamental to co-operative governance and these should be clearly recognised in:

- The Rules of the co-operative.
- The policies of the co-operative.
- The decision-making processes and decisions of the board.
- Operational processes and decisions.

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Member Rights

- Attendance at general meetings.
- Voting in co-operative elections.
- Standing for election to the board and committees.
- Voicing opinions and being listened to.
- Being consulted on key issues and decisions.
- Share in the benefits of economic success.
- Access to member education and training programs.
- Access to honest and open information about the economic performance of the co-operative.
- Being informed about rights and responsibilities as a member.
- Equal treatment with other members.
- Expect the business practice to be consistent with co-operative values and principles.

Member Responsibilities

- Abide by the rules of the co-operative.
- Not act to the detriment of the co-operative.
- Acknowledge and believe that the co-operative is a distinct membership organisation.
- Acknowledge and subscribe to the co-operative values and principles. Use the services of the co-operative.
- Participate in co-operative education and training programs.
- Ensure the continuance of the co-operative as a co-operative.
- Questioning and criticising actions and decisions.
- Encouraging others to join the co-operative and use its services.

In the UK the Confederation of Co-operative Housing has produced a Code of Governance for housing co-operatives.

<http://www.cch.coop>

The Code has been specifically adapted for use by housing co-operatives – based on the Code of Governance published by the UK National Housing Federation.

C15 of the Code: The governing body of the co-op must ensure that it has the ability to work as an effective team to take strategic decisions and an understanding of members' issues and concerns. It should also

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ensure that it either has itself or has access to (either through co-options or through purchasing relevant services as appropriate) various qualities and skills so that it can make effective decisions and monitor the co-op's performance. Dependent on the range of activities undertaken by the co-op, the governing body will need access to the following to carry out its duties:

1. Skills relating to co-op member involvement
2. General business, financial and management skills
3. Knowledge of the external framework and operating environment for housing co-ops; and
4. Other relevant skills, such as legal, property and development, and public affairs.

E1 of the Code: The co-op must ensure that it has appropriate structures that deal with various formal responsibilities listed below, possibly through the delegation of these tasks to specific members of the co-op (such as perhaps the co-op's Chair):

1. To ensure effective conduct of the co-op's business.
2. To ensure that all members have the opportunity to participate at co-op meetings and in the running of the co-op.
3. To establish a constructive working relationship with agencies/staff employed by the co-op.
4. To ensure that authority is sufficiently delegated to committees, appropriate delegated officers or staff to enable the business of the co-op to be carried out effectively in between meetings of the governing body, and that the use of these delegated powers is monitored by the governing body.
5. To ensure that the governing body receives professional advice when it is needed.
6. To ensure that proper arrangements are made to appraise the co-op's staff and to determine their remuneration, where applicable.
7. To ensure, when necessary, that staff are replaced in a timely and orderly manner.
8. To ensure that proper arrangements are made to review the performance of agencies employed by the co-op, where applicable.

Community housing organisation boards have been predominantly based on representation – directors who represent or promote the interests of a group of stakeholders. The co-operative housing provider is the most advanced form of representation – the member user tenants elect tenants to the board.

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The NSW Federation of Housing Associations has suggested there may be a trend towards expertise-based boards – boards selected and elected on the basis of their skills and expertise rather than who they represent. There is an implication that co-operative boards because they are representative cannot, therefore, have the necessarily skills and expertise.

It is not uncommon for co-operative boards to not necessarily have some of the skills and competencies required because they are democratically elected from the members. It will not always result, therefore, in a board with a sufficient range of expertise and the necessary skills.

In 2002, in Challenges and Prospects for Housing Co-operatives in South Australia, the Community Housing Council SA (CO-op Rep Council) issued a discussion paper which was not a formal policy position of the CHCSA. It noted there was at the time a morale problem in co-operatives: “....a significant proportion of groups are struggling to maintain the levels of group cohesion, voluntary participation and skills required to sustain their organisations in the longer term. These problems may then flow on into other areas of Co-op business, and affect the ability of groups to remain financially viable. Clearly the demands placed on groups in terms of management and reporting requirements are considerable, and have increased significantly since the inception of the program. With voluntary management and the expected turn-over of membership over time, these demands can overstretch the personal resources of those willing to undertake them.”

The solution for insufficient experience and skills is not necessarily to abandon the co-operative structure but to instead:

1. Evaluate the balance of skills, knowledge and experience on the board.
2. Identify deficiencies in skills, knowledge and experience.
3. Provide the necessary training for directors.
4. Co-op professional external directors.
5. Engage independent advisors.

If a co-operative is unable or unwilling to undertake 1 – 5, then, its governance will remain problematic.

Good governance is compatible with a tenant co-operative and tenant managed organisation. In January 2001 the UK Government

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commissioned Oxford Brookes University (in association with HACAS Chapman Hendy) to undertake an evaluation of tenant managed organisations. The report was released in October 2002.

The conclusion was that tenant managed organisations were not a soft touch on either rent collection or tenancy management and that in most cases tenant managed organisations were doing better than local authorities and compared favourably with the top 25% of local authorities.

These findings confirmed an earlier UK report by Price Waterhouse in 1995, *Tenants in Control: An Evaluation of Tenant-led Housing Management Organisations*. Price Waterhouse concluded that most housing co-operatives outperformed their Local Authority and Housing Association counterparts and provided more effective housing management services with usually better value for money. In addition, they also delivered some wider non-quantifiable social and community benefits.

Tenants First Housing Co-operative is a housing co-operative in the UK with over 1200 properties, assets of over A\$40,000,000 and 36 staff. It is the UK's largest housing co-operative.

<http://www.tenantsfirst.com>

While the co-operative housing model is viable and sustainable, it does depend on the co-operative being committed to good governance and demonstrating its effectiveness and government acceptance of this.

The key questions include:

1. Do directors have or have access to the necessary and relevant business, financial and management skills?
2. Is there a good knowledge of the external framework and operating environment?
3. Are directors willing and able to commit the time and effort required?
4. Is there a constructive relationship with staff?
5. Is authority sufficiently and appropriately delegated?

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6. Are the delegated powers, rather than the decisions, effectively monitored?
7. Are there proper arrangements for the appraisal of staff?
8. Are there proper arrangements for reviewing the performance of any contracted agencies?
9. Do directors understand their obligations under the law?
10. What is the process for keeping good records, minutes, registers, accounts and reports?
11. Is there a risk management program – identifying and evaluating risks, a strategy to deal with and the implementation, monitoring and review of this strategy?
12. Do internal policies exist to ensure good financial management and that it is implemented and monitored.

Issues for SEHC: Is there a recognition of the governance skills necessary and an ability and willingness to apply, develop and secure these skills? Even if the answer is “yes”, will the predisposition of the Victorian Government preclude their relevance or is it possible to convince the Government that the co-operative option is serious and viable?

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